

ENTERPRISE RISK MANAGEMENT COMMITTEE (ERMC) CHARTER

Executive Management is responsible for the implementation of an enterprise risk management program associated with achieving the mission and strategic goals of CalPERS. Thus, the consideration of risk – the potential for failure that results in loss or harm, or the diminished opportunity for gain – is a primary responsibility of Executive Management. To accomplish this, Executive Management will meet on a regular basis as the “Enterprise Risk Management Committee” (the “ERMC”). When fulfilling the role of the ERMC, Executive Management will be accountable for performing the duties and responsibilities set forth in the ERMC Charter.

PURPOSE/ROLE

The primary purpose of the ERMC is to reasonably assure that significant risks to CalPERS are identified and managed on an ongoing basis to ensure the successful accomplishment of the organization’s core workload and strategic goals and objectives. In addition, the members of the ERMC will assist in the further development of a sound framework for risk oversight and controls that will continue CalPERS movement toward becoming a risk intelligent organization as set forth in the Risk Intelligent Enterprise Management Policy.

COMPOSITION

The ERMC is composed of all members of CalPERS Executive Management.

The ERMC is chaired by the Chief Executive Officer and the Deputy Executive Officer of Operations, and facilitated by the Chief Risk Officer (CRO).

MEETINGS

The ERMC will meet as frequently as required, but not less than once a month. Supporting documents and agendas for the meetings will be the responsibility of the CRO. To facilitate the monitoring of risk treatment strategies and to aid in communication with senior staff, summaries of the meetings will be kept.

RESPONSIBILITIES

The following goals and responsibilities are to serve as a guide with the understanding that the ERMC may carry out additional functions as may be appropriate in light of changing business, legislative, regulatory, legal, or other conditions.

The following are the goals and responsibilities of the ERM:

1. Periodically review the CalPERS enterprise risk management framework including, but not limited to:
 - The risk governance structure
 - Risk identification, assessment, prioritization, mitigation and monitoring
 - CalPERS risk competencies
 - CalPERS risk tolerance in both program and operational settings
 - The risk management strategy and associated risk management initiatives and how both support the organization's business strategies and core workload responsibilities
 - The coordination of risk management activities across the entire organization
2. Review and assess CalPERS risk exposure as it relates to the two primary business lines – Pension and Health Benefits – as well as risk associated with managing the organizations assets and liabilities and its customer services. Risks associated with other operational support and assurance activities are also within the purview of the ERM.
3. Report to the CalPERS Board of Administration (the "Board") on a regular basis and make recommendations with respect to managing the risks associated with CalPERS policy, and programmatic and operational decisions that are brought before the Board.
4. The ERM, pursuant to the aforementioned responsibilities, will on a regular basis review CalPERS risk profile including, but not limited to all strategy, operations and security, financial, reporting and legal and compliance risks as they may affect its reputation, the value of its existing assets and potential future growth and viability. For example:

Financial Risk –

- Budgeting and Accounting for the Cost of Doing Business
- Accounting for Revenue from members and employers
- Accounting for payments of benefits
- Management of Assets and Liabilities

Compliance Risk –

- Monitoring the organization compliance with laws and regulations
- Monitoring adherence to organizational policies

Legal and Fiduciary Risk –

- Concerning the fiduciary responsibilities of a trustee
- Avoiding potential liability and legal actions
- Identifying and mitigating against fraud and abuse
- Pursuing the legal interests of the organization

Security Risk –

- Safeguarding the security of sensitive information
- Protecting data systems from intrusion and corruption
- Preparing for emergencies and disasters

Operational Risk –

- Ensuring that the prime business mission, goals and objectives of the Pension and Health Benefits programs are achieved in an efficient, transparent, customer driven and effective manner

Reputation/ Political Risk –

- Ensuring that CalPERS reputation as a premier public pension system and health benefits provider is enhanced
- Addressing challenges to the system and promote the interests of CalPERS members in the political process

Strategic Risk –

- Ensuring that the organization has a clear strategic direction that addresses the challenges and opportunities presented by an ever-changing environment

Other risks as may arise from time to time

OTHER CONSIDERATIONS

Key components of enterprise risk management are the monitoring and reporting of risk, as well as the maintenance of effective communication channels.

To facilitate this, the ERMC may create informal management sub-committees as appropriate. The sub-committees will ensure that risks are fully vetted and not trapped in organizational silos. The composition of these committees, if formed, may be along program or functional lines and/or be driven by a particular risk issue. Sub-committee participants would have the opportunity to formalize their meeting structure if they determine that there would be value added to the enterprise management of risk.